

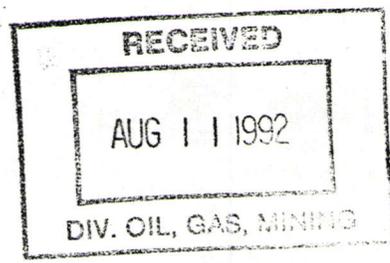


American Gilsonite Company

136 E. South Temple Street, Suite 1460
Salt Lake City, UT 84111-1104 • Phone (801) 524-7900
TWX (910) 925-5658 • FAX (801) 328-9116

M/047/010

-ORIGINAL COPY IN
REFORMATTED PERMIT



August 9, 1992

Mr. Lowell P. Braxton, Associate Director - Mining
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

Dear Mr. Braxton:

As you requested, we are submitting herewith our Mining Permit M/047/010 reformatted to comply with your new form MR-LMO.

In analyzing the original permit, we discovered that the estimate of the reclamation costs is significantly overstated. These costs were used to determine the amount required on the surety bond held for Bonanza Operations.

Differences in the cost estimate relate to the time required and the procedure to be incorporated in completing the reclamation. Chevron had projected a 3 month period for demolition and reclamation, while we are confident that no more than two months will be required. Each mine site was overstated again relating to the time estimate and an additional requirement of long distance haulage of the demolished materials. It is much more efficient to push demolished materials into the mine openings thereby negating any need to haul as well as saving substantial time. In current dollars, our revised estimate totals \$254,971.

For purposes of comparison, we have reviewed the bonding amount and cost calculations of other Gilsonite mine operators and find that our revised estimate is more closely matched to theirs than the original Chevron estimate.

As to your inquiry regarding total disturbed acreage, we are showing a total of 113.9 acres. We have graded and reseeded nine one acre mine sites and about four acres in other areas. This leaves about 101 disturbed acres that are in use by the operations. Of the 13 acres that have been reseeded, only 1 acre, the LE-3 mine site, has been released from reclamation.

The vegetative growth in the other twelve acres is still in progress. However, costs for another seeding of those twelve acres are included in the surety calculation.

Thank you for your assistance on the matter of the Reclamation Surety.

Sincerely,

Terry M. Tilley
Terry M. Tilley
Plant Superintendent

TMT/dns

Enclosure